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SEVENTH SENATE DISTRICT

CHAIR
COMMITTEE ON COMMERCE, UTILITIES, AND RAIL

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**Testimony of Senator Jeff Plale
Senate Bill 556
Committee on Commerce, Utilities, and Rail
March 10, 2008**

Members of the Committee:

In order to protect the safety and health of our state's residents, Wisconsin has regulated plumbing for nearly a century. The Department of Commerce has jurisdiction over the licensing of plumbers and other plumbing related activities.

The Plumbing Advisory Code Council, which is a division of the Safety & Buildings Division of the Department of Commerce, recently reviewed the definition and recommended that the definition be revised and updated.

The definition of "plumbing" within the state statutes has not been updated to reflect technological advances in plumbing and increased understanding of the health risks associated with wastewater and storm water discharged into public bodies of water.

The proposed language would update the definition of "plumbing" in Chapter 145 of the statutes so that the Department of Commerce can provide better guidance to both individual citizens and units of government who are seeking to comply with the state's regulation of plumbing.

The intention of the proposed language is to have the definition updated so as to better reflect the current practices in the industry and better protect our state's residents and our bodies of water from pollution and contamination.

Thank you and I would be happy to answer any questions you might have.





PAT STRACHOTA

STATE REPRESENTATIVE

Testimony by Representative Pat Strachota
In Favor of SB 556
Senate Commerce, Utilities and Rail Committee

A year ago the Senate and Assembly held hearings on a bill to move up the effective date of our film tax credit program. We heard how competitive these tax credits are with other states and we heard testimony from several people in the industry how much economic activity and jobs they would generate for our state.

In the two months the tax credits have been in effect, they are already luring new projects to Wisconsin and we have seen the excitement and buzz that just one major motion picture, Public Enemies, has generated. However, because this is a relatively new industry to our state we need to make a few adjustments to the tax credit program so that they can be utilized to their fullest.

SB 556 is a bipartisan bill that would allow film production companies to transfer unused, non-refundable credits to other taxpayers, such as other film production companies. It would also phase in residency requirements for eligibility of film production employees for tax credits as the talent infrastructure needed for productions fully develops in our state.

Currently, Wisconsin's incentives are a hybrid of refundable and non-refundable, non-transferable tax credits. States experiencing the greatest success in the industry enhance the value of their credits by making non-refundable credits transferable. The language of the bill allows for limited transfers and includes important safeguards to prevent fraud in transfers. Administration of the program will be funded by a fee paid by both parties in the transaction to the Departments of Revenue and Commerce.

While Wisconsin has a thriving arts community the current crew base is too small and not sufficient to sustain ongoing film production. Until we grow our own talent we will need assistance from our colleagues in Illinois, Minnesota, etc. The average production needs 80-120 qualified crew members, a number that Wisconsin alone can not supply at present.

Education facilities can accelerate and emphasize training programs to turn out qualified workers in relatively short periods of time but we need to provide adequate time for the film industry to flourish.

Last session, while the legislature was still debating whether it was worthwhile to even create these film tax credits, Wisconsin was trying to become the filming location for a little indie film called Juno. You may have heard of it - a smash hit that was just nominated for, and won, several Academy awards.

We lost out on that film and several more since then when we failed to move up the effective date for our credits last year. Let's not miss out on the next Juno or Public Enemies by not making these changes to enhance our tax credit program.

I urge the committee to support this bill to make Wisconsin a progressive economically viable film industry state and the state that is at the top of the every filmmaker's location scouting list for their next project.



STATE OF WISCONSIN

BARBARA LAWTON
LIEUTENANT GOVERNOR

Testimony in favor of SB 556
Senate Committee on Commerce, Rail and Utilities
March 10, 2008 Hearing

Recently, Governor Doyle announced that NBC Universal will bring Johnny Depp, Christian Bale and Michael Mann to Wisconsin – and that they plan on spending \$20 million during their brief stay here.

Public Enemies assumes the highest-profile of a number of film projects that have come to Milwaukee, Green Bay and other locations as a direct result of our incentive package to attract the film, television ad and video production industry. We see those films as the lead edge of the economic development and jobs to be realized in response to Wisconsin's incentives, which took effect the first of this year.

In addition to those projects, businesses that provide industry infrastructure and workforce, that make Wisconsin a good choice for filming, are beginning to emerge. We know of at least one camera and equipment company opening a Milwaukee office, one new recording studio and one major studio expansion, as well as dozens of home-grown Wisconsin companies in the film and video production industry, that have been here all along, that will now grow and thrive. Those companies' success translates to *permanent* new jobs for Wisconsin.

We will strengthen our competitive position relative to other states and accelerate development by making a few essential technical improvements to Wisconsin's incentive package.

SB 556 facilitates more rapid actualization of jobs and economic development in Wisconsin in the following ways:

1. **Creates the mechanism by which film production companies transfer un-used, non-refundable tax credits to other taxpayers who are subject to the same taxes.** Currently, Wisconsin's incentives are a hybrid of refundable and non-refundable credits that are not transferable to other taxpayers. States experiencing the greatest success in the industry make it possible to transfer non-refundable credits. Without offering that choice, the value of our incentive package is significantly diminished. AB 907 provides for limited transfers (no more than three) and includes important safeguards to prevent fraud in transfers. This service will be funded by a fee paid by both parties to the transaction to the Department of Revenue. The Department of Commerce will also require a fee for a transfer; that revenue will help fund the public/private partnership *Film Wisconsin*. Our neighbors in Illinois and Iowa made their credits transferable along with 9 of other states with film incentives in place.
2. **Phases in residency requirements related to employee wages eligible for non-refundable tax credits.** Wisconsin does not yet field the workforce required for a major

production. We cannot develop that talent infrastructure without projects on which they may work and train. This provision would maintain the strength of Wisconsin's incentive package through the process of building that essential workforce, preventing loss of major film and video game productions.

The residency phase-in occurs over a 7 year period. Under current law, credits for salary and wages are limited to the first \$25,000 paid to each of the company's employees who were residents of Wisconsin at the time they were paid. This change would allow companies to claim these credits for non-residents until 2010. For the following 4 years, until 2014, companies would be required to have 25 percent of their employees be Wisconsin residents. After the year 2014, 50 percent of employees must be Wisconsin residents for a company to be eligible for the credit.

The Department of Revenue's preliminary analysis was indeterminate, but they suggest SB 556 will have little if any fiscal impact. The economic impact of solidifying Wisconsin's competitive position as we establish this industry in our state will be positive.

It is important to remember that producers will only consider filming in Wisconsin when our incentives compete favorably with other states. We learned from the experience with NBC Universal that, when given a chance to look around and get a sense of the rich and varied vistas available and to experience the warm welcome Wisconsin communities offer, industry leaders will decide to do business here. SB 556 opens the way to our new distinction as America's Third Coast.



Barbara Lawton
Lieutenant Governor

TESTIMONY BEFORE THE SENATE COMMITTEE ON
COMMERCE, UTILITIES, & RAIL

March 10, 2008

George Tzougros, Executive Director, Wisconsin Arts Board
and President of Film Wisconsin

- Thank you Chairperson Plale and members of the Committee for holding this hearing.
- I am George Tzougros, the Executive Director of the Wisconsin Arts Board, the state agency which nurtures creativity, cultivates expression, promotes the arts, supports the arts in education, stimulates community and economic development and serves as a resource for people of every culture and heritage. In addition, I am proud to be President of Film Wisconsin.
- The Arts Board got involved with the film industry in April of 2005, when it became clear that the state's Film Office would be closed in July of 2005. The Arts Board did not want the state to figuratively hang a sign up saying, "creative, talented people need not stay in or move to Wisconsin." Such a sign would not only have been bad for our state's creative industries; it would have been bad for ALL of our industries. Wisconsin is in a global competition for the creative, talented individuals, who are the life blood of our 21st Century economy.
- The Arts Board was instrumental in the formation of FILM WISCONSIN, which is a nonprofit organization dedicated to nurturing and sustaining Wisconsin's film and media industry. Film Wisconsin advocates for the industry in the global marketplace, provides information and resources on the industry, and is a technical assistance organization for

individuals and organizations engaged in film, television, advertising, documentary, corporate video, video gaming and still photography production in the state.

- Film Wisconsin is now the state's official point of contact for the film industry. We are blessed to have an extraordinary Executive Director in Scott Robbe and a fine board of industry professionals.
- Film Wisconsin does many things. For example, it:
 - Markets Wisconsin – Film Wisconsin attends industry conferences and other events to promote Wisconsin and the industry. Such activities include attending the Sundance Film Festival, the national video game conference, the Association of Film Commissioners International Conference, as well as the Wisconsin Governor's Conference on Tourism.
 - Provides information to the Industry – This is the information upon which industry professionals make their decisions to film here. Film Wisconsin introduces them to the incentives, provides information on locations, talent, etc.
 - Acts as a resource to Wisconsin's state agencies – Film Wisconsin works closely with the Department of Commerce, which is responsible for the film incentive accreditation process. The Department of Tourism is also an important partner.
 - Supports the Industry while production is underway. Film Wisconsin helps with logistics for productions including promoting casting calls, sourcing important materials for set construction and dressing, identifying

lodging and other logistical partners, and coordinating with representatives of local government.

- Training and mentoring – Film Wisconsin is committed to building the talent pool in our state, filmmakers and crew, which will be necessary to properly build and service the industry.
- The Film Industry Incentives went into effect on January 1, 2008. These incentives have already been key to helping Wisconsin film industry professionals to do their work here at home, as well as to attracting productions from outside of Wisconsin.
- The technical improvements in SB 556 will solidify and strengthen the incentives already on the books. Scott Robbe will talk about the need for these technical improvements.
- Thank you for your time and attention.

March 3, 2008

Los Angeles,

To Whom It May Concern:

I am a film director/writer/producer living and working in Los Angeles, though I was born and raised in Madison, Wisconsin.

I have a project that I am hoping to shoot in Wisconsin in August/September 2008. Whether I can convince the financiers to shoot there depends of course on the budget of the production. If the unused non-refundable tax credits were accessible to the production company, this would go a long way towards helping us stay on our budget.

In addition, one of the drawbacks of shooting in Wisconsin now and in the future, is the limited pool of experienced crew. In a conversation with Jerry Zucker, another filmmaker who is a Wisconsin native, he attested to the fact that to have to travel in and support out of town crew rendered the tax savings a wash, and would likely keep his production company from coming there to film, as much as he would love to. He has asked me to share those thoughts with you in support of phasing in residency requirement.

So as you can see the two points you are considering in this current amendment to the tax incentive bill, will have a great impact on whether you will be able to attract film projects to the state. Of course many states are pursuing the same projects aggressively, and amending their incentive programs to increase the value.

I hope that it all works out and that I will be shooting my film CAMPFIRE BURNING in Madison next summer.

Thank you for your attention.

Sincerely,

Mary Sweeney

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Testimony for Senate Bill 556

First, I'd like to thank the members of this committee for taking the time to consider this very important Senate Bill 556. I'd also like to thank all the co-sponsors of the bill. The fact that this bill has bipartisan support is encouraging and great for our industry and our state.

I'd also like to thank the Lt. Governor for her dedication and support to the arts and to filmmaking and for fostering Wisconsin's emerging Arts Economy.

My name is Michael Graf and I own a commercial production company here in Madison called Spot Filmworks. Our company produces broadcast commercials and branded content for the advertising industry. I moved here from Los Angeles in 1990 and started the company in '94. At the time I was told I was insane for coming to Madison because of the complete lack of industry resources. I saw it as an opportunity and a great place to put down my roots.

We are now the only production company in Wisconsin with membership in the AICP, the Association of Independent Commercial Producers. The AICP exclusively represents the interests of US companies that specialize in producing commercials for advertisers and agencies and it's member's account for 85 percent of all domestic commercials aired nationally.

I was named Director of the Year by Screen magazine and I am an active member of the DGA, the Director's Guild of America. I'm one of only two commercial directors in the DGA that call Wisconsin home. I also sit on the Board of Directors of IFP-Chicago. The IFP is the single biggest non-profit organization in the country dedicated to supporting independent filmmaking and filmmakers.

As a small business owner and also a member of a union, I am both management and labor and can offer a rather unique perspective on the film production tax credits and Senate Bill 556.

This bill definitely helps large companies like Universal justify investing in Wisconsin as opposed to other states, but it also -- and more significantly -- will have a greater long-term impact helping grow small, local businesses like mine.

More than half the work we produce is for out of state advertising agencies and clients. Production budgets vary, but average between \$80,000 to \$100,000 a day, with about 75 - 80% of that money being spent locally; on location in the community we shoot in.

Some of the work is produced in state; much is produced out of state.

One of the challenges we face when we want to keep the work in state is our small pool of labor. What seems to happen more often than not is that we get hired to produce a job with a very tight turn around time. If any other local production companies have jobs going or if there's a film in town, there aren't enough qualified, experienced crew to go around. Because our production schedules are much shorter than that of a feature film, it doesn't make sense to bring entire crews in from out of town. It's much cheaper for us to travel our above the line personnel to where there's a crew. More often than not, we're forced to take the job to Chicago or Austin or Wilmington where there is a larger labor pool.

The phased in residency requirements Bill 556 envisions is a smart, logical way to grow our labor pool and encourage more local productions.

Some local crew fear they'll lose work to those that may move into Wisconsin, but this is an unfounded fear. The reality is they are *already* losing work to out of state crew and have been for quite some time. We desperately need to grow our specialized crew base in this state as part of our effort to build this industry's infrastructure and keep work here.

Two anecdotes I'd like to share regarding local crews. Up until a year ago, there were about a half dozen union Assistant Camera Operators in Milwaukee and Madison. Not now. They have all either moved to other markets or changed careers. Because there are no more local A.C.s in the market, I can't support the local camera rental house. It's too expensive for me. Now, for me to

support our Milwaukee camera house, I have to pay for someone to come in from Chicago to prep and wrap the gear. It's cheaper for me to just rent the camera gear in Chicago. So our lack of labor adversely affects other vendors and support businesses as well.

Also, last Monday I received a call from the Production Coordinator working on Public Enemy, that starts shooting here next week. He desperately wants to hire local, experienced Madison based crew and is having a hard time finding any. He called me asking for recommendations. If he can't adequately crew his project locally, what will he tell his colleagues back in LA? Hollywood is a very small town.

More important than residency however, is the transferability of tax credits.

Through my association with the IFP, I can tell you that the transferability of tax credits that this bill will authorize is the single most important part of Illinois' production incentives and most important to independent filmmakers. What we've discovered in Illinois is that indy filmmakers use the transferable tax credit by investing it back into their production by adding days or weeks to their shooting schedule. That means crews are hired for more days and more money is being pumped back into the local economy.

These same indy filmmakers tell us that the transferable tax credit helps them attract investors for their projects because it helps defray the costs of production. It's the number one reason they decide to shoot in Illinois.

My accountant tells me the transferability of the tax credits proposed in this bill is also a very good thing for my own business.

Our business model is slightly different than that of a feature film. Feature film production has been compared to a marathon. Commercial film production is a sprint. While a feature film may take three to six months to prep and shoot, commercial productions often take three to four weeks from the award of the contract through the delivery of dailies.

Commercial production is an important part of the film industry because producers pay directors and film-crews premium, top dollar to work on such truncated projects with quick turnaround. A grip or electrician that makes \$400 dollars a week on a feature can make that much money in a day on a commercial shoot.

However, since 9/11 we've seen budgets for broadcast advertising for clients either stagnate or decline. At the same time, media budgets have shifted from traditional broadcast to the internet. Yahoo and Google now bill more than CBS and ABC. Yet, our cost of production continues to rise. Insurance, film stock, labor, actors - all have gotten more expensive. You're well aware of the writer's strike that just came to a conclusion, but other trade unions have contracts that expire this year as well. Both the DGA and the Screen Actors Guild contracts expire in 2008.

To stay competitive with other production companies and still maintain high level of quality film production for ad agencies and their clients, we often have to absorb rising costs by cutting our mark up and/or Director fees. As a result our profit margins have been on a decline since 2001. And quite frankly, the last couple of years have been very lean - not just for my company, but for the commercial production industry as a whole.

The ability to sell our tax credits to other companies will have an immediate impact on my company's bottom line. It will help us stay competitive and fiscally healthy.

It will give me the opportunity to offer raises to our staff, attract top caliber production staff from out of state and keep down debt. It will help get us through these lean economic times.

Many other state's incentive packages don't cover commercial production for advertising. Ours does. The AICP fully supports this bill because the transferable tax credit provision will offer commercial producers that shoot here the same kind of fiscal cushion that will help my company. We should see the same kind of increases in commercial production here that Illinois has seen in the indy and studio film segments of production with the implementation of their transferable tax credits.

A colleague in the Twin Cities tells me that because these incentives are better than Minnesota's, the sizable commercial production community there will definitely come to Wisconsin because they are ardently looking for ways to be more cost effective – but they'll only come if the tax credits are transferable.

The purpose of production incentives is to bring work to the state and grow a powerful industry here that has for the most part passed Wisconsin by. This clean up bill fixes a major flaw in the original legislation and should be supported. Remember, if producers go elsewhere, all the talk of tax credit, transferable or not, is completely meaningless. It's not about the pretty scenery or the friendly people; it's about the cost of production.

They say all politics is local. Approval of this bill is as local as it gets. My company is right across the street from the capital on the corner of King and Main. The passage of this bill quite literally helps your neighborhood's economic vitality!

I thank you for your time and strongly encourage your committee to support this bill.

WISCONSIN TESTIMONY

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As a CPA and MBA, I've been practicing accounting and tax, and most recently production incentives for over two decades, in the entertainment industry. My work history includes experience in the Tax Departments at the Walt Disney Company, Sony Pictures Entertainment, the ABC Network, Paramount Pictures, as well as Ernst & Young. I now lead the production incentives services group at Entertainment Partners (EP), and along with Barbara Rosenfeld (formerly of the Motion Pictures Association of America) who functions as a Consultant for EP, we provide EP's clients as well as the Film, TV and Commercial Production Community with a variety of production incentive services.

Film production is highly mobile, capital and labor intensive, with no lingering cost to the environment. Production incentives are an effective way for governments to promote capital investment, employment, and tourism. Given skyrocketing production costs, estimated by the MPAA to be close to \$70 MM per film negative for its member companies in 2006, production incentives have proliferated both domestically and internationally.

Wisconsin's new production incentive was very well received, catching the attention of the major studios and attracting a very large budget feature film. As it turned out, the incentive proved to be limited in some respects, and I am happy to say that Wisconsin's legislature has been quick to grasp the significance of these limitations and propose a workable solution. That solution is found in the Wisconsin Technical Improvement Bill.

The Technical Improvement Bill contains two very important components. The first component is to make the wage credit transferable. While a cash rebate, followed by a refundable tax credit, is the preferred type of incentive, a transferable tax credit follows quickly behind.

As a general rule, production companies function as cost centers, incurring the costs of a film project - but receive no offsetting revenues from distribution. Once completed, the copyright owner of the film will arrange for distribution, and will receive the proceeds of distribution. As a result, it is rare that a production company will have taxable income, allowing it to utilize a non-refundable, non-transferable tax credit such as the current Wisconsin wage credit.

By making the wage credit transferable, a production company can sell the credit to a Wisconsin taxpayer, recouping some benefit from the credit before it would otherwise expire unused. Needless to say, there will be a cost associated with the transfer, reducing the value of the credit to the production company. The taxpayer buying the credit will expect to receive a discount of some amount in relieving the production company of an asset it cannot use.

The other important component of the Technical Improvement Bill relates to its implicit recognition of the fact that the Wisconsin infrastructure is not yet fully developed. By allowing non-resident wages to be included as qualified costs up through year-end 2009, Wisconsin is promoting itself as a film location while building its own crew base. Again, in recognition of the time it takes to fully develop a local infrastructure, the statute provides for non-resident employees to qualify as eligible expenditure if at least 25% of the crew base is resident. That number increases to 50% in 2014.

Louisiana was similarly flexible in allowing expenditures to qualify for its incentive in the early years when its infrastructure was developing. Due to the success of its incentive package in promoting the state as a film location, it is no longer necessary for Louisiana to include out-of-state spend in its incentive base.

In conclusion, film, television and commercial production would incur more in Wisconsin if the cash benefit provided by the State's incentive program were more readily accessible, and if other key production expenditures (e.g., non-resident labor, specifically non-resident actors employed through Personal Service Companies) were included as "qualified" spend by the State of Wisconsin. By example, we are aware of recent productions which would have had more production activity in the State of Wisconsin had the issues discussed above been resolved.

David Fantle
Testimony in favor of SB 556
Assembly Committee on Jobs and the Economy
March 10, 2008

My name is David Fantle. I'm vice president of public relations for VISIT Milwaukee. I also coordinate the Milwaukee Film Office and sit on the board of Film Wisconsin.

I'm here to offer my support for AB 907 and talk briefly about the significant economic impact the film and television industry holds for the state's tourism economy.

I've often said that film is the gift that keeps on giving.

First there are the obvious short-term benefits of having a film crew land in your city or town – expenditures in hotel and motel rooms; restaurants; local entertainment venues and other local business owners from caterers, to hardware stores to lumber yards.

Long-term the economic benefits of film can be felt years after a film crew has packed up and left town.

Personally, I remember my wife and I staying at the Del Coronado Hotel near San Diego because that was the resort used in the classic film, "Some Like it Hot" with Jack Lemmon, Tony Curtis and Marilyn Monroe.

Now that was some 50 years ago and the Del is still capitalizing on that film.

More recently, all I have to say is "Sleepless in Seattle," "Field of Dreams," and "Bridges of Madison County" and you immediately conjure up positive images. Make no mistake, Seattle and Iowa are both realizing significant tourism expenditures impacts as a result of those films.

Film locations offer entrepreneurial opportunities for the private sector. Go to the www.christmasstoryhouse.com or www.bostonmovietours.com and you'll see what I mean.

The house in Cleveland where they shot the holiday classic, "The Christmas Story" is a popular tourism attraction. Boston Movie Tours take visitors on

tours of Boston area locations used in film and television production, such as "Cheers" and "The Departed."

You can see the potential is significant and it all can be happening here in Wisconsin.

Which brings us to the excitement of our recently enacted film tax incentives and the possibilities it holds for the entire state.

Already, communities such as Columbus, Milwaukee, Madison, Baraboo and Oshkosh, are starting to ponder the long-term tourism potential "Public Enemies" could hold if they decide to shoot in these locations. A successful film can be leveraged for economic impact for years!

I applaud the vision of your committee and your colleagues in the legislature for recognizing the potential this clean, green manufacturing industry holds for the state. On behalf of my colleagues in the convention and visitors bureau, I hope you will make a good bill even better and quickly move AB 907 to the Governor's desk.

